

JUNE 25, 2002

**SCHAKOWSKY AND CONGRESS EXAMINE MORE DISGRACEFUL AND WASTEFUL FINANCIAL ABUSES AT THE PENTAGON**

**WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL) today said, "*The financial abuses that have occurred at the Pentagon and the DOD's lack of initiative and unwillingness to change its financial management practices are disgraceful.*"**

**□ Schakowsky joined colleagues during a Government Reform Subcommittee on National Security, Veterans Affairs, and International Relations hearing on "DOD Financial Management: Following One Item Through the Maze."□ Below is Schakowsky's statement.□□**

**I would like to thank Chairman Shays and Ranking Member Kucinich for their continued vigilance on this issue.□ The financial abuses that have occurred at the Pentagon and the DOD's lack of initiative and unwillingness to change its financial management practices are disgraceful.□ The Government Efficiency Subcommittee, chaired by Congressman Steve Horn in which I am the Ranking Democrat, has also been holding hearings on this issue.□ It is time for DOD to correct and improve the deficiencies that lead to abuse.□□□□**

**Despite the fact that the Defense Department is responsible for half of the total discretionary spending of the federal government-nearly \$400 billion-the DOD is slow to implement changes in many areas of its operation to better account for taxpayer money.**

**In 1995, the GAO put the Defense Department's financial management on the high-risk list. One of the issues stated by the GAO then was the failure of the department to protect its assets from fraud, waste, and abuse. Since then, we've found that millions of dollars in personal items, trips, and even plastic surgery were charged to government issued credit cards.□□**

**In the GAO report on DOD Financial Management, the GAO tracked the DOD's purchase of the Joint Lightweight Integrated Suit Technology (JSLIST) and a computer hardware item that it purchased from a local vendor with a DOD purchase card.□**

**The Pentagon contract for JSLIST-a two piece lightweight garment to protect against chemical and biological agents-called for the production of 4.4 million suits over 14 years, for a total of \$1 billion dollars.□ GAO found that antiquated systems, manual procurement processes, and inventory control and payment is plagued by flaws and weakness that cost the DOD millions.□ GAO found that because of these problems, suits determined to be in excess were sold over the Internet for \$3 when they were purchased for over \$200.**

We have long since known about problems with the DOD purchase card system. The DOD still manually enters purchases made with purchase cards instead of electronic transmissions. Inefficient billing procedures and use of non-integrated data systems result in costly processing. In example after example, purchase cards supplied at taxpayer expense to workers who used them to, among other things, purchase items such as clothing and Legos. GAO states that purchase cards will account for nearly \$20 billion in purchases in this fiscal year or the next. If there is 5% waste in these purchases that is a billion dollars of waste. We must eliminate all of these abuses.

The GAO has provided the Pentagon with a foundation on which to build. DOD must make every effort to improve upon these recommendations so that we can ensure that the American taxpayers hard earned money is spent defending our country and not paying for golf memberships.

The reasons behind these problems include mismanagement in several areas. Problems with financial and contract management result from inaccurate financial reporting and contract overpayment. In fact, for fiscal years 1994-99, over \$1.2 billion of overpayments to contractors have been returned to the DOD. We've also found that the DOD's management inventory is flawed. DOD continually stores huge amounts of material and equipment that has no use. Additionally, the DOD process for tracking acquisitions and purchases is antiquated and seriously flawed. Often times the DOD cannot find records of procurement, accounting, control, and payment. This culture of waste and abuse has persisted for many years, as have the calls to change it.

Last July we were told that the purchase card issue would be addressed. Instead, we got business as usual - fraud, waste and abuse. I do not expect the same today. I hope that the DOD will begin to take the recommendations of the GAO seriously, and use the advice to design and implement programs that will improve the DOD's financial management situation. I thank all the witnesses for their work and I look forward to hearing how our guests from the DOD plan to make use of the information they received from the GAO in this hearing, and how they plan to clean up the Pentagon's financial mess.